Audit Committee – 27 July 2020

Annual Review of Effectiveness of the System of Internal Control and Annual Governance Statement 2019/20

1.   Summary of Report

1.1   This report contains the findings of the review of the effectiveness of the Council's system of internal control, for consideration by Audit Committee. This review supports production of the annual Governance statement (AGS) for 2019/20 and requires Audit Committee approval.

1.2   The Annual Governance Statement (AGS) was drafted, assurances were evaluated and supporting evidence gathered. The outcome of this process was a conclusion that the effectiveness of the system of internal control is adequate overall and there were no significant governance issues to report. The AGS incorporates some amendments to governance to allow the Council to respond to the Coronavirus pandemic in a timely manner, whilst still operating within our overall good governance arrangements.

2.   **Recommendations:**

Audit Committee are requested to:

2.1   Receive and considers the findings arising from the annual effectiveness review of the system of internal control, as contained within this report.

2.2   Receive, review and approve the attached Annual Governance Statement which will be published alongside the post-audit Statement of Accounts.

2.3   Note that if there are significant governance matters that arise between this report date and approval of the accounts, then an amended AGS will be brought back for Audit Committee's consideration.

3.   Background

3.1   The Accounts and Audit (England) Regulations 2015 states that the Council:

1)   Must ensure that it has a sound system of internal control (Regulation 3) which:

(a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
(b) Ensures that the financial and operational management of the authority is effective; and
(c) Includes effective arrangements for the management of risk.

2)   Conduct a review of the effectiveness of the system of internal control required by regulation 3;

3)   The findings of this effectiveness review must be considered by a Committee of the Council (Council have delegated this to Audit Committee);

4) The Council must prepare an annual governance statement;

5) The annual governance statement (AGS) must be approved by the Council (Audit Committee) by 31st July. In the light of Coronavirus, the draft AGS (and Statement of Accounts) must be signed off by 30th August and published by 30th November. This is also the target date for the accounts to be audited.

3.2 It is anticipated that the post-audit accounts and AGS will be presented to Audit Committee in September, subject to the external audit process. It is not unusual for a draft AGS to be amended, for example, following review by the relevant Committee (27th July in this case). If there is any change to the AGS between the sign off of the draft AGS and publication date, then an amended AGS will be brought back for Audit Committee's consideration.

3.3 Additionally, the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. This is reported in the Internal Audit Opinion 2019/20 report, which is included elsewhere on tonight's agenda and has been used to inform the review of the effectiveness of the system of internal control and the production of the AGS.

4.   Resource and Legal Considerations

4.1 Councils must produce annual accounts and the AGS in line with the Accounts and Audit Regulations 2015 in a timely fashion and on an annual basis. The Statement is legally required to be signed by the Chief Executive and Lead Member. The AGS was formally signed off by both prior to finalisation of this report.

4.2 The framework has been amended to included additional financial controls and governance and decision making in relation to Covid-19.

5.   Citizen Impact

5.1 Governance is the arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner.

5.2 The governance *framework* is an interrelated system that brings together an underlying set of legislative requirements, governance principles and management processes. The framework is intended to support the Council in demonstrating good governance. The framework itself is not a statutory requirement, but rather a discretionary code offered to organisations as good practice. It is important to note that the governance statement (which is a statutory requirement) covers all significant corporate systems, processes and controls, spanning the whole range of the authority's activities, including in particular those designed to ensure that:
- The Council's policies are implemented in practice;
- Services are delivered efficiently and effectively;
- The Council's values and ethical standards are met;
- Laws and regulations are complied with;
- Required processes are adhered to;
- Financial statements and other published performance information are accurate and reliable;

- Human, financial, environmental and other resources are managed efficiently and effectively.

5.3 This report reinforces the protection to the Council and its officers in respect of the robustness of the internal control environment and is an integral part of the assurance provided to citizens and other stakeholders on the security of the Council's activities and operations.

6. Performance Management and Risk Management Issues

Performance Management

6.1 Effective performance management is key to ensuring an effective system of internal control is maintained. Senior managers can support the framework and the assurance gathering process by ensuring that systems and processes are in place within each directorate, including ensuring directorate plans, project and individual risk registers and risk assessments are in place and regularly reviewed and service complaints are responded to and used to drive improvement. In addition, senior officers within each directorate should promptly implement agreed internal and external audit actions within the timescales agreed.

Risk Management

6.2 A key aspect of the system of internal control is the identification of key risks to the organisation and to delivery of its key objectives, and key controls needed to mitigate these risks. Comprehensive, embedded and effective risk management arrangements are fundamental to demonstrating good governance.

6.3 The Council has been operating in an environment of increased risk since the start of the Coronavirus pandemic. A Covid-19 risk register and a financial risk register have been created and reported to senior management and members accordingly. The Strategic Risk Register has been updated for Covid-19 risks and is reported to Audit Committee separately on tonight's agenda. Enhancements to the existing decision making arrangements of officer's delegations and existing emergency powers within the Constitution have been introduced in the form of Silver and Gold Control.

7. Equality Implications

7.1 As stated above, Governance covers the arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner. Reducing inequalities is a key priority for the Council.

8. Consultation

8.1 The report is prepared in consultation with the Chief Finance Officer (CFO), the Internal Audit Manager, the Monitoring Officer, Corporate Management Team and relevant managers.

9. Background Papers

Audit and Accounts Regulations 2015
Internal Audit report and Opinion on the adequacies of the Council's control environment

Various CIPFA Guidance, Local Code of Governance, Various Council documents and reports
Various external and internal audit and inspection reports

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14 July 2020

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Effectiveness Review of the System of Internal Control

Walsall Council (via Audit Committee) has a statutory responsibility for conducting a review of the effectiveness of its system of internal control in respect of 2019/20.

Audit Committee is able to monitor the effectiveness of the governance framework and the internal control environment and the Council's internal audit arrangements, and receive their assurance on these matters in a number of ways. Further detail is set out in the following paragraphs and the totality of these is reviewed and considered by Audit Committee in considering the annual review of the effectiveness of the governance framework, and in approving the Annual Governance Statement as required by the Accounts and Audit Regulations, 2015.

The review of the effectiveness is informed by and assurance obtained from:

- The annual work programme of the Audit Committee including receiving, considering and reviewing reports on the work of Internal and External Audit, including reports on internal controls, risk management, grants, the external auditor's Interim Audit, it's opinion on Value for Money and the financial resilience of the Council, the external audit opinion on the statement of accounts and the annual audit and inspection letter.
- A review of the AGS via key questions by Internal Audit during 2019/20 to assess the extent to which compliance with the framework has been met.
- Internal Audit's Annual Opinion Report.
- The annual responses from Audit Committee, the Monitoring Officer and Chief Finance Officer to external audit in relation to management processes and arrangements and oversight of these.
- Findings of the external auditor and other review agencies and inspectorates, and Council actions to address these.
- Cabinet, corporate management team and senior officers monitoring the effectiveness of the governance framework through receiving monitoring reports on performance and financial management and risk management, including progress against key objectives and measures and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and receiving regular reports via Audit Committee on the internal control mechanisms in place and their effectiveness.
- The monitoring and regular review of the Council's Constitution, Codes of Conduct, and committee, officer and member governance processes (delegations, finance and contract rules, etc).
- Review and reporting of financial health indicators and financial procedures.
- Improvements recommended by Audit Committee on the framework for reporting such as the Corporate Risk Management Strategy, Strategic Risk Register, Corporate performance Management Framework and Counter Fraud arrangements.
- The work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment.
- The workings of Silver and Gold Control and decision making during Covid-19.
- The Chief Executive and the Leader of the Council and elected members, via the Audit Committee, who formally consider and approve the Annual Governance Statement (AGS) annually.

The following pages set out the governance framework and key areas of assurance, and findings from work and activity undertaken during 2019/20 in these areas. These have been considered in the annual effectiveness review of the system of internal control.

From March 2020, the Council has played a major role in managing the national response to Covid-19, including the administration of business rate reliefs and grants, supporting households through the Council tax reduction scheme, supporting the care market, supporting the vulnerable and shielded, and other initiatives.

As with all Council's, there has been an impact on governance from March 2020 as a result of the pandemic, including:
- Some impact on business as usual such as adult social care. Some services and facilities were closed – libraries, leisure centres, car parks etc. Assurances have been provided by Adult and Children's' social care that statutory responsibilities continue to be met.
- New support required to provide emergency assistance to vulnerable sections of our communities.
- Financial consequences of delivering the emergency response, the impact on closures of loss of income on the Council's financial positon and the impact on delivery of approved budget savings, as officers have refocused on delivering the Council' response to the pandemic.
- Changes in the Council's risk profile.
- Cessation of Council meetings from March 2020 (Cabinet and Scrutiny being reintroduced virtually from May) and changes in decision making arrangements.

The AGS review reports on amendments to the governance and decision making processes introduced in March to allow the Council to respond to the Coronavirus pandemic in a timely manner, whilst still operating within our overall good governance arrangements. These include the setting up of Gold and Silver Control meetings to manage the Council's response to Covid-19 following the suspicion of all Council meetings after March, establishment of a Covid-19 risk register and enhanced controls in relation to authorisation, monitoring and reporting of financial spend in relation to Covid-19.
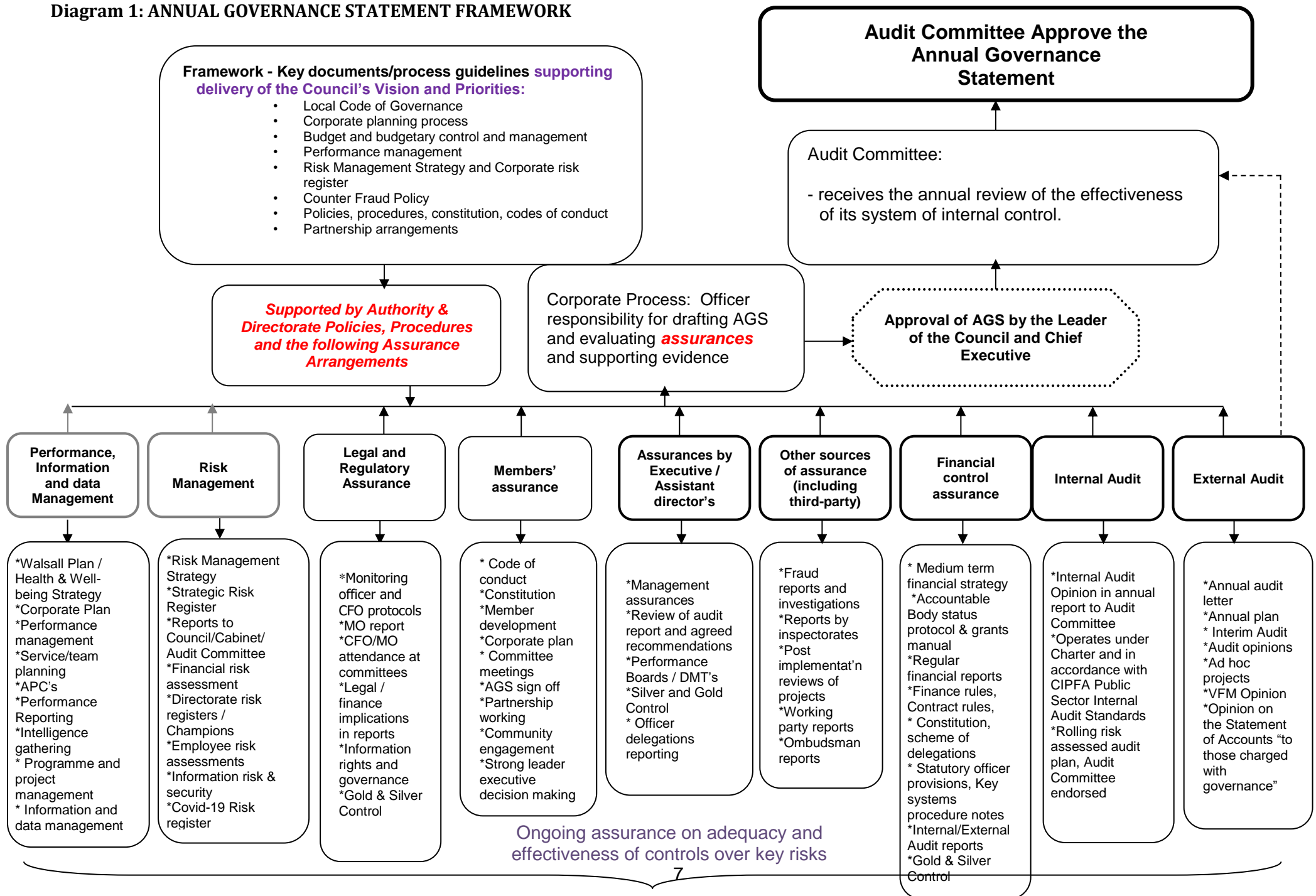
On 19 May 2020 Cabinet received a suite of reports in relation to the Council's management of Covid-19 including;

- Amendments to the governance and decision making processes;
- The Council's safeguarding response;
- Supporting shielded and vulnerable residents;
- Supporting our businesses – business rate reliefs and grants
- Managing delivery of the Proud programme and the Covid-19 impact on delivery of our approved budget savings
- Covid-19 impact on our corporate financial performance

Please refer to the following link to access these reports. 19 May Cabinet Reports.

The governance and decision making May report set out the decision making procedure the Council has adopted as a consequence of the Covid-19 crisis. The Council has utilised the emergency provisions in relation to delegated powers in the Constitution in relation to Council decisions, in consultation with the relevant elected members, and has utilised the "strong leader" model in relation to executive decisions that have needed to be taken. Where required the decisions have been published on CMIS and circulated to all elected members.

Diagram 1: ANNUAL GOVERNANCE STATEMENT FRAMEWORK

Audit Committee Approve the Annual Governance Statement

Framework - Key documents/process guidelines supporting delivery of the Council's Vision and Priorities:
- Local Code of Governance
- Corporate planning process
- Budget and budgetary control and management
- Performance management
- Risk Management Strategy and Corporate risk register
- Counter Fraud Policy
- Policies, procedures, constitution, codes of conduct
- Partnership arrangements

Audit Committee:

- receives the annual review of the effectiveness of its system of internal control.

Supported by Authority & Directorate Policies, Procedures and the following Assurance Arrangements

Corporate Process: Officer responsibility for drafting AGS and evaluating *assurances* and supporting evidence

Approval of AGS by the Leader of the Council and Chief Executive

Performance, Information and data Management	Risk Management	Legal and Regulatory Assurance	Members' assurance	Assurances by Executive / Assistant director's	Other sources of assurance (including third-party)	Financial control assurance	Internal Audit	External Audit
*Walsall Plan / Health & Well-being Strategy *Corporate Plan *Performance management *Service/team planning *APC's *Performance Reporting *Intelligence gathering * Programme and project management * Information and data management	*Risk Management Strategy *Strategic Risk Register *Reports to Council/Cabinet/ Audit Committee *Financial risk assessment *Directorate risk registers / Champions *Employee risk assessments *Information risk & security *Covid-19 Risk register	∗Monitoring officer and CFO protocols *MO report *CFO/MO attendance at committees *Legal / finance implications in reports *Information rights and governance *Gold & Silver Control	* Code of conduct *Constitution *Member development *Corporate plan * Committee meetings *AGS sign off *Partnership working *Community engagement *Strong leader executive decision making	*Management assurances *Review of audit report and agreed recommendations *Performance Boards / DMT's *Silver and Gold Control * Officer delegations reporting	*Fraud reports and investigations *Reports by inspectorates *Post implementat'n reviews of projects *Working party reports *Ombudsman reports	* Medium term financial strategy *Accountable Body status protocol & grants manual *Regular financial reports *Finance rules, Contract rules, * Constitution, scheme of delegations * Statutory officer provisions, Key systems procedure notes *Internal/External Audit reports *Gold & Silver Control	*Internal Audit Opinion in annual report to Audit Committee *Operates under Charter and in accordance with CIPFA Public Sector Internal Audit Standards *Rolling risk assessed audit plan, Audit Committee endorsed	*Annual audit letter *Annual plan * Interim Audit *Audit opinions *Ad hoc projects *VFM Opinion *Opinion on the Statement of Accounts "to those charged with governance"

Ongoing assurance on adequacy and effectiveness of controls over key risks

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The review of the effectiveness of the system of internal control is informed by the work of the Audit Committee, other regulatory Committees, the work of Internal and External Audit and the work of senior management of the Council.

The production of this AGS and effectiveness review has been able to substantially rely on existing assurance provisions. Specifically the Head of Internal Audit Annual Opinion and Report, which is a major source of assurance, has been finalised within the usual timeframes (and is included earlier on tonight's agenda). There are no limitations to the review to report to the leadership team or Audit Committee. As well as existing assurance areas (external audit, the work of the Audit Committee) detailed below, additional assurance in relation to Covid-19 has been drawn from reports presented to Cabinet in May as set out above.

Internal Audit Evaluation of the Effectiveness of its Risk Management, Control and Governance Processes; and Annual Opinion.

The Accounts and Audit (Amendment) Regulations 2015 introduced a revised requirement for the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

The review of the effectiveness of the system of internal control is informed by the work of the Audit Committee and the work of Internal Audit, and Internal Audit's annual report on the overall adequacies of the internal control environment. This is reported to Audit Committee separately on tonight's agenda.

In respect of the 2019/20 financial year, the following Internal Audit Opinion has been given;

"On the basis of our audit work, our opinion on the Council's framework of governance, risk management and internal control is Substantial in its overall adequacy and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work, 11 of which were fundamental in nature. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

In reaching this opinion the following factors were taken into particular consideration:

Corporate Governance and Risk Management
Governance arrangements have been considered and reported within the other reviews undertaken through the year and controls assurance work has been carried out to inform the Council's Annual Governance Statement. Work to further embed the new approach to risk management in the Council started in the prior year has continued, with regular progress reports to both CMT and the Audit Committee. There has been a strong commitment at Member and officer level to ensure the risk management framework continues to evolve and strengthen. There is a risk champion in place for each directorate who is committed to supporting robust risk management activity. A review of the Risk Management Strategy for 2020/21 will be completed once the staff restructure resulting from the Walsall Proud Programme has been completed.

Internal Control
Of the 45 audits undertaken in the year where we provided a formal assurance level, eight were given a 'Good' level of assurance, 24 a 'Substantial' level of assurance

and eight a 'Limited' level of assurance. No audits were given ''No' level of assurance.

During the year, we have made 11 'Priority 1' recommendations and these are summarised in Appendix A2 of this report. 111 recommendations categorised as 'Priority 2' were also made.

In respect of follow up of recommendations, internal audit has an established process for tracking the implementation of recommendations raised and enabling Management to report on their status to each Audit Committee meeting. During the year, we reviewed the implementation of recommendations as they fell due and confirmed their implementation status.

All recommendations made during the year were accepted by Management".

Internal Audit Identified Control Weaknesses

1). Follow up of 2018/19 control weaknesses:

The AGS effectiveness review is informed by work undertaken in 2019/20 to follow up on actions agreed to improve governance issues/control weaknesses identified in the previous year's (2018/19) AGS.

During 2018/19, Internal Audit reviews were undertaken on the core financial systems. All of the eight fundamental financial systems audits were found to be operating satisfactorily, receiving a 'substantial' or 'good' assurance opinion (two receiving the highest – a good – opinion).

In addition to fundamental financial systems, 45 audits were undertaken in 2018/19 of other financial and non-financial systems and processes that contribute to the Council's overall corporate governance arrangements.

Internal audit's work identified that although in nearly three quarters audit assignments the processes examined were generally working satisfactorily, system weaknesses were identified in certain areas as shown in those given a limited or no assurance opinion. The table below details the reviews where a limited assurance level was given (20):

Directorate	Audit	Adequacy of System Design	Effectiveness of Operating Controls
Economy & Environment	CRC Energy Efficiency Scheme	Substantial	**Limited**
	Licensing	**Limited**	**Limited**
Adult Social Care	Residential & Nursing Care	**Limited**	**Limited**
Children's Services	Schools Governance	**Limited**	Substantial
	Commissioning of Placements	**Limited**	Substantial
Schools	Alumwell Junior	**Limited**	**Limited**
	Busill Jones Primary	**Limited**	**Limited**
	New Leaf Inclusion Centre	**Limited**	**Limited**
	The Jane Lane Special	**Limited**	**Limited**
Resources & Transformation	Money, Home, Job - Emergency Payments	Substantial	**Limited**

Directorate	Audit	Adequacy of System Design	Effectiveness of Operating Controls
	Money, Home, Job - Purchase Cards	**Limited**	Substantial
	ICT Business Continuity	**Limited**	**Limited**
Corporate	Performance management Framework	Substantial	**Limited**
	Procurement	**Limited**	**Limited**
	IR35	Substantial	**Limited**

These reports were considered in detail as part of the Audit Committee's routine consideration of 'limited assurance' audit opinions. The table below provides an update on action taken to address the 2018/19 recommendations.

Directorate	Audits	Adequacy of System Design	Effectiveness of Operating Controls	Follow Up Date	Progress on Implementation of Recommendations
Economy & Environment	CRC Energy Efficiency Scheme	Substantial	**Limited**	During 2019/20 annual audit	All implemented (No P1s)
	Licensing	**Limited**	**Limited**	June 2020	6 implemented, 5 partially implemented (including 2 P1's), Further follow up date October 2020
Adult Social Care	Residential & Nursing Care	**Limited**	**Limited**	March 2020	11 implemented, 1 partially implemented (P1), 1 not yet implemented (P1) Further follow up to be arranged
Schools	Alumwell Junior	**Limited**	**Limited**	March 2019	All implemented (1 P1)
	Busill Jones Primary	**Limited**	**Limited**	November 2018	All implemented (1 P1)
	New Leaf Inclusion Centre	**Limited**	**Limited**	March 2020	All implemented (1 P1)
	The Jane Lane Special	**Limited**	**Limited**	March 2020	All implemented (3 P1's)
Resources & Transformation	Money, Home, Job - Emergency Payments	Substantial	**Limited**	June 2020	All implemented (No P1)
	Money, Home, Job - Purchase Cards	**Limited**	Substantial	October 2019	All implemented (1 P1)

Directorate	Audits	Adequacy of System Design	Effectiveness of Operating Controls	Follow Up Date	Progress on Implementation of Recommendations
	ICT Business Continuity	**Limited**	**Limited**	Not yet due	Due for implementation in September 2020 (1 P1)
Corporate	Performance management Framework	Substantial	**Limited**	August 2019	All implemented (4 P2's)
	Procurement	**Limited**	**Limited**	March 2020	2 implemented, 1 partially implemented, 1 P1 not implemented Further follow up to be scheduled
	IR35	Substantial	**Limited**	August 2019	All implemented (No P1s)

The majority of actions have been implemented and confirmed on follow up.

2). Planned work 2019/120:

The AGS effectiveness review is informed by internal audit work undertaken in 2019/120, the findings of these reviews and actions plans put in place by managers to address identified control weaknesses. During 2019/20, 45 internal audits were undertaken where internal audit provided a formal assurance level. Of these:

- 8 audits (18%) received a 'Good' assurance level;
- 29 audits (64%) received a 'Substantial' assurance level;
- 8 reviews (18%) received a 'Limited' assurance level and
- No audits (0%) received a no assurance opinion.

Overall, 37 reviews (82%) were given a 'Substantial' assurance or above. All core financial systems were given a 'Substantial' or 'Good' assurance.

A total of 240 recommendations have been made.

- 11 (5%) were 'Priority 1' recommendations - that are fundamental to the system and upon which the organisation should take immediate action.
- 111(47%) recommendations were categorised as 'Priority 2' recommendations - although not fundamental to the system, provide scope for improvements to be made.
- 118 (49%) were 'Priority 3' – recommendations considered of a minor nature, but which nevertheless need to be addressed.

All recommendations made during the year were accepted by management.

Seven of the eight fundamental financial systems audits were found to be operating satisfactorily, three receiving a 'substantial', four receiving a 'good' opinion; and one (payroll and pensions administration) receiving a 'limited' assurance opinion.

In addition to fundamental financial systems, 37 audits were undertaken in 2019/20 of other financial and non-financial systems and processes that contribute to the Council's overall corporate governance arrangements.

Internal audit's work identified that although in over 80% audit assignments the processes examined were generally working satisfactorily, system weaknesses were identified in certain areas as shown in those given a limited assurance opinion. The table below details the reviews where a limited assurance level was given (8):

Directorate	Audit	Adequacy of System Design	Effectiveness of Operating Controls	Priority 1 Recs
Economy & Environment	Saddlers Centre Management	Substantial	**Limited**	2
	New Art Gallery	**Limited**	Substantial	2
Schools	St Patrick's Primary School	Substantial	**Limited**	-
	New Invention Infant School	**Limited**	Substantial	-
	Holy Trinity Primary School	**Limited**	**Limited**	1
	St Thomas of Canterbury Catholic Primary School	**Limited**	**Limited**	2
Corporate	Payroll and pensions administration	**Limited**	**Limited**	2
	Social Media Policies & Procedures	**Limited**	**Limited**	2

The 11 'Priority 1' recommendations are detailed in the Head of Internal Audit Opinion report in Private on tonight's agenda.

Assurance in respect of the effectiveness of the overall system of internal control can be taken from the following:
- The Head of Internal Audit overall assurance opinion.
- All but one of the core financials systems audits received a substantial or good assurance audit rating.
- All recommendations made by Internal Audit have been agreed and management action is being taken to address them.
- The majority of recommendations arising from the previous years limited assurance findings have been implemented. The remaining will be followed up in 2020.
- Internal Audit follow up all 'limited assurance' reports to ensure progress is made in implementing agreed recommendations and will report back to Audit Committee accordingly.
- The eleven 2019/20 fundamental recommendations are in six separate audit areas and equate to a relatively small proportion (c5%) of the overall findings and recommendations made. Action is being taken to address these and these will be followed up and reported to the Committee during 2020/21.

3) Unplanned Work:

No unplanned jobs were undertaken by the service during 2019/20.

Risk Management Work

The strategic priorities of the Council are set out within the Corporate Plan and in delivering against these priorities decisions are taken regarding allocation of increasingly finite resources. Councils have needed to become more innovative and commercially minded in order to exploit opportunities whilst operating in an environment where there are high expectations around transparency, integrity and accountability. Value for money remains at the heart of good governance in local authorities and the Council acknowledges that:

1. Risk Management is a key element of the Council's governance framework,
2. Statutory responsibilities exist within the Accounts Audit Regulations 2015,
3. The Council also has specific statutory responsibilities for example to ensure health and safety risks are effectively managed,
4. All members and officers have responsibility and a role to play in managing risk, and
5. Effective management or risk will ensure that the organisation's objectives, and resulting outcomes, are achieved.

The Council has an established risk management framework, designed to identify, evaluate, manage and where possible, mitigate risks to the Council in delivering its objectives. There is an ongoing programme of reporting and review of both corporate and operational risks, and this extends to an assessment of risks in financial planning and major projects and partnerships. Internal Audit continue to support the Council in assessing and monitoring key strategic risks to the organisation.

A revised Risk Management Strategy was approved by Audit Committee in January 2018, and a revised Strategic Risk Register (SRR) implemented during 2019/20. A review of our current arrangements and lessons learnt report was presented to CMT in June 2020 and is due to be presented to Audit Committee in July 2020, recommending some changes to the approach. The next comprehensive review is due in 2021. Committee received reports on risk management at their April and September 2019 meetings. The SRR was reviewed and updated for Covid-19 risks during May, reported to CMT in June 2020 and is due to be presented to Audit Committee in July 2020.

Further work on assurance mapping will also be undertaken during 2020/21 which will inform improvements to the Governance Framework.

Key risks to the Council for 2019/20 continued to be (as for most Councils): Managing increasing demand pressures, specifically within Adult and Children's social care; Uncertainty concerning future funding arrangements; Economic uncertainty; Service failures (from a provider perspective and in relation to business continuity); Failure to deliver approved savings and the budget plan; Recruiting and retaining a workforce with the right skill set. Risks continue to be actively managed.

Covid-19 during lockdown and post lockdown has greatly exacerbated these risks and changed their nature. A separate report on tonight's agenda contains an updated Strategic Risk Register outlining the impact on the Council's risk profile. Key risks are:
- Threats to the Economic Growth of Walsall resulting from the impact of Covid on the Walsall and wider economy and additionally any inability to promptly support small and sector specific businesses through Government grant funding
- The Proud Programme ceases to progress at the required pace during the period of disruption.

- Partnership relationships with other sectors and our major suppliers fail to deliver on shared objectives and therefore outcomes for the community.
- The Council is unable to maintain service standards to support the most vulnerable in society.
- The Council is having to make decisions that have a significant financial impact without a guarantee that the costs will be fully compensated for by the Government.
- The transition from emergency response to business resetting and recovery does not encompass lessons learnt and good practice experienced during the pandemic period.
- Increased exposure to fraud and legal challenge due to emergency governance steps taken.

Mitigating actions are identified to reduce, if not eliminate, these risks. Further, the suite of reports presented to Cabinet in May provide further detail on risk to service delivery under and post lockdown and assurances in relation to how they are being managed.

Assurances have been provided that risks are being adequately considered, reported and managed. Clearly, the full impact in the medium to longer term is not yet known and risks and mitigating actions will continue to be reviewed and updated.

Internal Audit Review of AGS Compliance

In 2016/17, Internal Audit supported the Council in developing a framework to provide enhanced governance procedures. The Key Questions used in the framework were agreed by management, and we assisted managers in identifying the evidence needed to support the statements made. In 2020/21, management have updated the evidence trail, and this information has been reviewed by Internal Audit.

In quarter four, Internal Audit carried out a piece of work to review the Annual Governance Statement with management to assess the extent to which compliance with the framework has been met. The approach involved issuing an annual governance survey to key responsible officers for populating, obtaining sufficient audit evidence for a sample of key questions through document inspection, observation and discussions with management and staff in order that we could establish whether compliance has been met.

Governance surveys were issued in relation to the following areas:
- Risk Management
- Information Management & Data Quality
- Partnership Working
- Internal Audit
- Financial Controls
- Legal & Regulatory
- Performance Management
- Business Continuity
- Procurement & Contracts
- ICT
- Programme & Project Management
- HR
- Member Relationship

Findings

Follow-up work was performed on 22 Key Questions within the Annual Governance Statement and Internal Audit's assessment of the current compliance status of a selection of Key Questions across all service lines is indicated in the table below.

A sample of questions was chosen from the 11 Service Lines on the Annual Governance Statement to confirm compliance and seek evidence where appropriate. A selection was not chosen from Risk Management due to the ongoing review of the corporate process. A selection was also not chosen from Internal Audit.

Sample of Key Questions

Area	Ref	Key Question	Audit Follow Up Result	Evidence of Compliance
Business Continuity Planning	BCP1	Are there adequate and well communicated business continuity arrangements in place to ensure that services can be resumed following an emergency?	Recent school audits undertaken identified that they all have up to date Emergency & Business Continuity Plans. The plans are on a standard corporate template. The current disaster recovery provision does not meet all necessary requirements. To address this and other data centre risks, ICT have established a Cloud Migration Programme and are working with Microsoft and other suppliers (e.g. Oracle for OneSource) to implement a range of improvements including cloud based DR capability.	In-Part Compliant
Business Continuity Planning	BCP2	Are the business continuity arrangements regularly tested and found to be effective?	A rolling programme for BC exercises has commenced however, now on hold due to the Coronavirus response.	In-Part Compliant
Legal & Regulatory	LR1	Does the Council have an up to date record and accessible record of its statutory obligations?	The main record of the Council's statutory obligations are contained within Part 3 of the Councils Constitution. The constitution is available as a public document on CMIS.	Compliant
Legal & Regulatory	LR2	Are reasonable arrangements in place to promptly identify changes in legislation that affect the Council?	Review of the websites used to keep up to date with the changes provides the assurance they provide access to the most up to date UK legislation available with additional guidance and a range of services.	Compliant
Performance Management	PM1	Are there relevant, focused and appropriate performance indicators in place for all areas of activities?	Review of the Corporate Plan and a review of performance measures reported to Cabinet in May 2019 is deemed sufficient.	Compliant
Performance Management	PM14	Do all staff in each service have specific annual performance targets that they are assessed against as part of the annual appraisal process?	Annual performance conversations undertaken with officers which include performance targets that they are assessed against.	Compliant
Financial Controls	FC1	Is actual performance against budget monitored at different levels within each directorate?	Evidence of this provided as part of the budgetary control audit and individual audits that take place during the year.	Compliant

Area	Ref	Key Question	Audit Follow Up Result	Evidence of Compliance
Financial Controls	FC17	Is there an adequate separation of duties, especially in the process for payments of accounts?	Evidence of this provided as part of the Accounts Payable and individual audits that take place during the year.	Compliant
Procurement & Contracts	PC2	Are all requests for quotations and tenders issued through the Council's (electronic) procurement system?	All tenders channelled through Procurement are conducted via the Council's electronic procurement system.	Compliant
Procurement & Contracts	PC4	Are all contracts recorded on the Council's (electronic) contracts register and is this regularly reviewed and updated?	Contract registers are available and publicised on the Walsall Council internet page. Procurement unable to validate if all contracts are recorded on the register as some contracts are established outside of Procurement and there is currently no way of checking. Implementation of One Source is now scheduled for July 2020 following which work to implement the Central Contracts Register in One Source will be completed by 31 March 2021	In-Part Compliant
Project & Programme Management	PPM4	Are all key projects mapped to the Council's key priorities?	All activities should now align to the Proud Programme, although not explicit it is unlikely that any activity would be approved without meeting the Council's key priorities.	Compliant
Project & Programme Management	PPM6	Are documented procedures in place for monitoring and controlling projects during their lifetime?	Both the Proud & ICT PMO adhere to prescribed management procedures which allows for the monitoring and controlling of projects as per their relevant Boards requirements.	Compliant
Member Relationships	MR1	Do all Member committees have clearly defined and approved terms of reference?	Document review deemed this sufficient.	Compliant
Member Relationships	MR2	Are the roles of Members in these committees clearly defined?	Document review deemed this sufficient.	Compliant
ICT	IT3	Have all staff been made aware of the Council's IT acceptable usage and security policies and procedures?	Email and Internet Usage and other policies in place and available on Council's intranet. The requirement to read and abide by Council Policies is enforced through mandatory data protection training and the Council's code of conduct for employees. Each time a user logs on they are asked to explicitly confirm that they will follow Council procedures when using the Council's systems.	Compliant
ICT	IT4	Are processes in place to ensure compliance with the IT Security Policy?	Each time a user logs on they are asked to explicitly confirm that they will follow Council procedures when using the Council's systems	Compliant

Area	Ref	Key Question	Audit Follow Up Result	Evidence of Compliance
			The Council's 'Code of Conduct' requires all employees to comply with all authorised Council policies of which the IT Security policy is one. All staff are required to undertake annual Information Governance training which reiterates the need to comply with Council IT Security Policies and procedures.	
Information Management	IM3	Is data held or used by each service area relevant, accurate, up to date and necessary for the purpose it is being held, and is it only used for the purposes set out in the Council's Data Protection notification?	Annual mandatory data protection training is a requirement for Council officers,	Compliant
Information Management	IM6	Is all information and documentation held and managed in accordance with the Council's information / document retention policy and procedures?	Document retention guidelines are available to all staff on the Council's intranet	Compliant
Partnership Working	PW1	Does the Council have existing or potential partnerships with external organisations?	A structure for the Safer Walsall Partnership has been established, along with the priorities that each lead/partner will be responsible. The Community Safety Plan identifies Black Country Chamber of Commerce, West Midlands Police and Crime Commissioner, Walsall College, Walsall Housing Group and One Walsall as active members of the Partnership. Contracts with Strategic Partners are not always completed in a timely manner which can put the Council's priorities at risk. Despite their appointment in May 2019, the contract and KPIs with the Council's managing agent for the Saddlers Centre was not completed during the year.	In-part Compliant
Partnership Working	PW3	Are processes in place to ensure that partnerships are appropriately aligned to Council priorities and strategies?	Cabinet approved the Walsall Plan: Our Health and Well-being strategy 2019-2021 as the overarching plan for the Walsall Partnership on 13th February 2019.	Compliant
Human Resources	HR3	Appropriate procedures are in place for the following: a) recruitment; b) induction; c) training and development; d) monitoring of sickness; and e) monitoring of overtime	Policies and procedures are in place that clearly define the roles and responsibilities of the relevant parties. However, policies have not been updated/reviewed by staff to provide updates where required.	In-part Compliant
Human Resources	HR11	Are procedures and monitoring arrangements in place to ensure that staff are not influenced by prejudice, bias or conflicts of	Documents provided outlines the procedure to follow to ensure staff are not influenced. However, policies have not been	In-part Compliant

Area	Ref	Key Question	Audit Follow Up Result	Evidence of Compliance
		interest (including the influence of gifts and hospitality)?	updated/reviewed to provide updates where required.	

Conclusions:

- In general, internal audit noted compliance with the Annual Governance Statements.
- Of the 22 key questions sampled, in 16 cases representing 73% of the sample tested, there was evidence of full compliance and in 6 cases there was part compliance as further actions were required
- There were no instances of non-compliance in the sample selected.

External Audit Assurance

An important area of independent assurance on the effectiveness of the system of internal control is the work of the Council's external auditors.

The Council's independent External Auditor has a broad role covering finance and governance matters. Work in 2019/20 included:

a) The Annual Report to Those Charged with Governance (ISA260), published September 2019 by our external auditors Grant Thornton, which provided an unqualified opinion of the 2018/19 accounts and a formal conclusion that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the VFM conclusion).

b) The results of the Interim Audit work of our incoming auditors Grant Thornton in relation to the 2019/20 accounts – no issues were found as part of this review that GT wished to bring to the attention of the Committee.

c) At the time of writing this AGS, GT's work in relation to 2019/20 (namely the Annual Report to Those Charged with Governance, the audit of the Statement of Accounts, and the VFM conclusion) is not complete. The final AGS to be approved and published by September will provide feedback on that work if there is any impact on the internal control environment and the AGS.

External Audit no longer undertake a formal review of the Internal Audit function, they review the work of Internal Audit however to inform their annual risk assessment. From 2016/17 onwards, assurance to the Council is provided through the 5 yearly external assessment of Internal Audit's Quality Assurance and Improvement Programme (QAIP). The QAIP covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated. Mazars were assessed in Autumn 2016. The conclusion of that external assessor was:

"From the evidence reviewed as part of the external quality assessment, no areas of non-compliance with the Public Sector Internal Audit Standards have been identified that would affect the overall scope or operation of the internal audit activity, nor any significant areas of partial non-compliance. Three areas of minor partial compliance and one area, which is a new requirement from 2016, have been identified. On this basis it is our opinion that Mazars GRIC - Public Services conforms to the requirements of the Public Sector Internal Audit Standards and the Local Government Application Note".

The areas of non-compliance related to the following areas, which were agreed by management:

- The audit charters need to be updated to reflect recent changes in PSIAS and the Global Institute of Internal Auditors International Professional Practices Framework (IPPF). and improve clarity for the reader by adopting current best practice in content and layout. The audit charters need to include definitions for board, senior management and the chief audit executive.
- The audit charters should include the recently developed mission statement as required by the IPPF.

The above have been incorporated into the revised Charter which was presented to Audit Committee on 19th February 2017. The next review is due 2021.

Regulatory Committee – the Audit Committee

The Committee's work is a major aspect of the Council's corporate governance framework. Its wide-ranging remit includes providing an independent assurance on the adequacy of the risk management framework and internal control environment. It provides an independent review of governance, risk management, financial reporting and annual governance processes, as well as overseeing the work of internal and external audit.

Audit Committee has a regulatory role in terms of receiving reports on the effectiveness of the system of internal control and the annual work programme of the Audit Committee includes receiving, considering and reviewing reports on the work of internal and external audit, including reports on internal controls, risk management, grants, the external auditor's Interim Audit (where applicable), it's opinion on Value For Money and the financial resilience of the Council, the external audit opinion on the Statement of Accounts and the Annual Audit and Inspection Letter.

Audit Committee has received and considered regular Internal Audit progress reports and summary reports of all internal audits receiving a 'no' or 'limited' assurance opinion. Where, on audit follow up of a no or limited assurance audit report, no or limited progress is made by managers in addressing weaknesses identified, executive directors and their accountable managers are required to attend Audit Committee to provide necessary assurances.

CIPFA recommends that an assessment exercise is undertaken regularly by the Audit Committee to ensure that its effectiveness is reviewed. It has published a Good Practice checklist. Using the recommended practice in this publication is intended to help the authority to achieve a good standard of performance. Where an Audit Committee has a high degree of performance against the good practice principles, then it is an indicator that the Committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective Audit Committee.

In September 2019, the Audit Committee considered the self-assessment of its effectiveness using the checklist. 25 key supporting questions were considered by Audit Committee, supported by senior officers including the Deputy Chief Finance Officer and Head of Internal Audit. The overall assessment was positive, with the majority (22 of 25) of questions considered to be fully compliant, with 3 assessed are partly compliant. None are considered significant. The three areas covered:
- Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory? The knowledge self-assessment had been completed by a number of Audit Committee members during 2018/19, but not formally by all members.

- Has the Committee obtained feedback on its performance from those interacting with the committee or relying on its work? An annual report is presented to Council and there are opportunities for Council members to provide feedback or query the work of the Committee. Additionally, internal and external audit observe the operation of Audit Committee at each meeting. Audit Committee may, however, wish to consider a more formal feedback mechanism.
- Has the committee evaluated whether and how it is adding value to the organisation? An annual report is produced and a review of the core functions of the Committee have been undertaken, however the Committee may wish to consider a more formal process.
- A follow up on the above is programmed into the Committee's work plan for 2020/21.

Each year the Council's external auditors, under Accounting Standards, are required, as part of their risk assessment procedures, to obtain an understanding of management processes and the Audit Committee's oversight of the Council's governance arrangements. Our auditors produce a letter setting out a number of questions covering the key areas. Management have provided responses to these, covering:

- General enquiries of management
- Fraud risk assessment
- Impact of laws and regulations
- Going concern considerations
- Related parties
- Accounting estimates

This was used to support the assurance gathering process.

During 2019/20, the work of the Audit Committee included the following in its assurance role:

- Reviewing at each meeting of progress reports in relation to the Internal Audit plan, including receipt of limited assurance findings, and updates on priority 1 recommendations;
- Reviewing the Risk Management Strategy and Strategy Risk Register;
- Approving accounting polies, the statement of accounts and the annual governance statement;
- Oversight and approval of the 2018/19 Statement of Accounts and Annual Governance Statement, including approving the annual review of the effectiveness of the internal control environment;
- Receipt of and review of all external audit reports, including the value for money conclusion and Annual Audit Letter;
- Responding to the Council's external auditors requirement to obtain an understanding of management processes and the Audit Committee's oversight of the Council's governance arrangements in relation to general enquiries of management; fraud risk assessment; the impact of laws and regulations; going concern considerations; related parties and accounting estimates
- Reviewing the effectiveness of the Audit Committee;
- Reviewing counter fraud arrangements against the Fighting Fraud Locally (FFL) Good Practice advice and checklist.

Regulatory Committee – Standards Committee and the Ethical Framework

The functions of the Standards Committee are determined by statute and the Constitution. The Standards Committee has a role in ensuring and promoting good ethical conduct. The Constitution clearly sets out the role of officers and members, including the three main statutory posts of the Chief Finance Officer (S151 officer), Head of Paid Service and Monitoring Officer.

The Localism Act 2011 required the Council to reconstitute its Standards Committee to deal with potential issues of member conduct. There is a statutory duty under section 27 of the said Act for the Council to promote and maintain high standards of conduct. To do so the Council has to ensure that it has in place a Code of Conduct for Elected Members, Arrangements for Dealing with Complaints about Elected Member behaviour, and a Standards Committee to determine issues of conduct. The Council established these processes at a special meeting of Council on 25th June 2012. These process were reviewed and changes to the Code and Arrangements were approved at Annual Council on 20th May 2019. These changes incorporated the Best Practice recommendations from the Committee for Standards in Public Life. One of these for example was to include a definition of bullying in the Code of Conduct.

During 2019/20 the Council received no complaints which required a formal standards investigation to be undertaken.

The Standards Committee has now taken oversight of member development to ensure that Elected Members undertake appropriate training to assist them in fulfilling the requirements of their role. This includes mandatory training for committees dealing with planning and employment issues. An annual report on training was presented to Standards Committee.

As Lead Officer for the Standards Committee, the Monitoring Officer has a key role in promoting the Council's Ethical Framework and high standards of conduct within the authority. This includes the maintenance of the Members and Officers Registers of Interests and Gifts and Hospitality. The Monitoring Officer is responsible for establishing and maintaining a Register of Member's disclosable pecuniary interests. This is held within the office of Democratic Services and is also accessible through the Council's website via CMIS. The register is updated following the Council's Annual Meeting each year and periodically thereafter as Elected Members advise of changes to their entries on the register. Members' gifts and hospitality is also recorded on the interest register. Regular reminders of the need to keep it up-to-date continue to be provided to all members. The Monitoring Officer also keeps the register of officer financial and non-financial interests in accordance with 17.3 of the Code of Conduct for Council Employees.

The Constitution is a living document and as such is subject to regular review and update. In particular the Officer delegations are reviewed annually. Any changes to the Constitution are reported to Annual Council, and the Constitution is amended accordingly. The proposed amendments/changes to the Constitution are presented to Audit Committee prior to going to Council to ensure elected members are able to scrutinise and be consulted on any proposed changes. In 2019/20 a number of changes were made to the Constitution in consultation with the Audit Committee and the changes were approved at Annual Council on 20th May 2019.

Constitution and Code of Conduct

The Constitution was reviewed and updated in May 2019.

The Constitution also sets out Codes of Conduct for members and officers, setting out appropriate standards of conduct and expectations around ethics and behaviours. Comprehensive policies and procedures such as human resource policies support officers in carrying out their roles. These include whistleblowing procedures, the Grievance policy; and performance management procedures. A significant grievance investigation took place in 2019/20 which tested the lawfulness and application of the Council's Constitution and grievance policy. The Council's external auditors were informed of the outcome of this investigation and were satisfied with the way in which the Council applied its governance in managing the procedure. The Council will need to ensure that managers have adequate training in relation to the lawful application of policy and procedure. An audit of the training that senior managers have undertaken will be carried out and mandatory training provided. There are at present other grievance matters subject to investigation and if anything significant arises as a consequence of those processes they will be incorporated in the next AGS. The detail of these matters are confidential.

The Council is investing in training and development of officers and members to ensure that they have the necessary support in ensuring that the Council acts in accordance with its Constitution, policy, and procedures.

Decision Making – amendments during Covid-19

Following the introduction of lockdown measures, the Council utilised existing provisions within the Constitution in the form of officer delegations and the strong leader executive decision making function to continue to make decisions during the Covid-19 crisis. On 19 May 2020 Cabinet received a suite of reports in relation to the Council's management of Covid-19 including amendments to the governance and decision making processes. Please refer to the following link to access these reports. 19 May Cabinet Reports

In managing the crisis the Council also established two senior management officer groups which met on a daily basis. The main strategic meeting was Gold Control which was established to manage the strategic impact of the Covid 19 crisis taking into account national, regional, and local issues that had an impact on the functioning of the Council and the welfare of its residents and employees. Gold Control was part of the decision-making insofar as issues were raised may require decisions and following discussion at Gold Control were referred for decisions to be made where it was felt to be appropriate. The other Silver Control met on a daily basis to discuss and determine operational issues at a local level. Gold and Silver Control continue to meet on a twice weekly basis.

The Council is now rolling out virtual meetings following the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 coming into force on 4 April 2020. This will ensure greater openness and transparency in decision-making and allow for scrutiny of executive decisions. The Council is carrying out a governance view in relation to Council meetings in July 2020 to see whether or not further elements of decision-making can be reintroduced on a safe basis.

The Constitution already empowers the Chief Executive and the Executive Directors to take all necessary decisions in cases of emergency. The definition of an emergency under the constitution means any situation in which the relevant officer believes that there is a risk of

damage to property, a threat to the health or wellbeing of an individual or that the interests of the Council or the Borough as a whole may be compromised.

In addition to this the Council has provided advice to all senior officers regarding lawful decision-making in the current crisis, as a consequence of having to postpone Council meetings to follow government guidance in relation to the lockdown. On 20th March 2020 Democratic Services issued guidance with regard to Executive decision making by the Leader and officers during the Covid-19 outbreak to assist Officers in making lawful decisions under their delegated powers to ensure the Council could continue to function in the absence of committee meetings. This guide to decision making was approved by the Corporate Management Team on 4 April 2020 and circulated to all the top four tiers of Council managers with an explanatory email on 7 April 2020. The document also explained the Leader's role in executive decision making throughout this period. This included a full explanation as to how urgent decisions would be made. The Council still followed its constitutional requirements in relation to the publication and recording of decisions.

It was and is recognised that the Council has been operating in a time of emergency and accepted that decisions may have to be made on an urgent basis to deal with the rapidly changing circumstances to prevent serious prejudice to the Council's or public interest. Where urgency existed in relation to executive decisions agreement from the Mayor was sought to deal with the issue as a matter of urgency which removed the requirement for such decisions to be subject to the call in procedure.

Even where decisions were taken on this basis the Council has tried to ensure that these have been informed decisions with relevant information provided to decision makers. It has to be accepted due to the circumstances the Council are operating in that this information may not have been as complete as it would be under normal circumstances.

Lawfulness and Maladministration

The Monitoring Officer (MO) is the Councils lead adviser on issues of lawfulness and the Council's powers. Part of this role involves monitoring Cabinet and Committee reports, agendas, decisions and procedures to ensure compliance with legislation and the constitution (e.g.: as regards access to information). The majority of this work is undertaken by officers from Legal and Democratic services. The Monitoring Officer also has a duty to ensure, through Democratic Services, that the committee decisions and the reasons for the same are made publicly available. This work is carried out by officers from Democratic Services through the Council's website, by means of CMIS.

There have been no major or potential unlawful acts that have been brought to the attention of the MO in the previous 12 months that would affect the integrity of the organisation.

The MO provides a response to the external auditors annually concerning his oversight of management processes, specifically in relation:

- Fraud, including identifying and responding to the risks of fraud,
- Compliance with laws and regulations,
- Communicating to employees in respect of ethical behaviour and conduct
- Internal control and breaches thereof,

This supports the assurance gathering process.

Each year the Local Government Ombudsman issues an Annual Review letter for each Council, including annual statistics relating to complaints received and determined during the year. This is published on the Ombudsman's website https://www.lgo.org.uk/your-Councils-performance and locally is submitted to the Council's Standards Committee for consideration. The Annual Review letter for the year ending 31 March 2020 will be published by 31 July, but at this stage, and based upon the Council's own records, it is believed that the authority has complied with all of the recommendations issued by the Local Government Ombudsman.

Contract and Finance Rules

The above rules are set out within the Constitution. There have been no significant matters of concern brought to the attention of the S151 Officer or Head of Procurement in relation to the above. Where emergency measures have been taken in relation to Covid-19, then appropriate reporting has been undertaken to CMT or members, as required by the Constitution.

Financial Management

The Council has a comprehensive set of strategies, plans and procedures in place in relation to financial planning and financial risk management. Regular reports are presented to senior officers, management teams, Scrutiny Panels, Audit Committee and Cabinet, including corporate risks, financial health indicators, the medium term financial outlook and service and corporate financial performance against budget, including corrective action plans.

The Council has a robust medium term financial strategy and a rolling four year plan to support delivery of resource allocation in line with Council priorities. This is regularly reviewed in light of ever-changing financial and economic conditions and pressures arising from demand led services. The Council's medium term financial strategy, finance rules and scheme of delegations were updated and approved in 2019/20. The Council has a strong track record of delivering savings and out-turning within/close to the approved budget. Treasury management activities are operated in accordance with the statutory Codes of Practice.

Financial risks are assessed regularly and as part of the annual budget process and regular reporting of the financial position. A corporate financial risk assessment informs the medium term financial strategy and the level and appropriateness of general and other reserves.

The Council has outturned 2019/20 with an underspend against budget of £291k and with its general reserves intact.

External audit review the Councils arrangements for delivering economy, efficiency and effectiveness in its use of resources (VFM conclusion) and audit the annual Statement of Accounts. Their conclusions are set out above under "external audit assurance".

Since 2011/12, the AGS is required to contain a statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government' (2010) as set out in the 'Application Note to Delivering Good Governance in Local Government: A Framework'. The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them.

The Executive Director, Resources and Transformation and S151 Officer was responsible during 2019/20 for the proper administration of the Council's affairs, as required by Section 151 of the Local Government Act 1972. In assessing these five principles, the Authority complied with all of these during 2019/20.

A Covid-19 financial register and financial risk register were established in April and has been used to monitor and report on actual costs and risks to CMT and Cabinet in May and July 2020. All additional Covid-19 costs have been reported and approved through either Silver, Gold Control, or Cabinet, dependent on the value of the spend. Actions to manage any shortfall in Government funding are set out in the July Cabinet report - Covid-19 Corporate Financial Performance. These actions are in train and will be reported back to Cabinet in September with an update on the position for both 2020/21 and future years. Controls in relation to Covid-19 spend are in place and working effectively.

Performance Management

The Corporate Plan, 2018-2021 sets out the following: Our Vision "Inequalities are reduced and all potential is maximised" and Our Purpose "To create an environment that provides opportunities for all individuals and communities to fulfil their potential", explains what we are doing as a Council and what we are trying to achieve. This Corporate Plan remains in place prior to a planned refresh for 2021-25.

Responsibility for managing performance lies with individuals at all levels in the organisation and the current performance management framework – in place from October 2018 - and approach taken is aimed at continuing to empower staff, services and leadership to apply the principles of performance management appropriately as required to individual circumstances.

A refreshed Corporate Performance Management Framework will be reported to Audit Committee for review and recommendation to Cabinet later in the 2020/21 financial year.

The main objectives of the Corporate Performance Management Framework are to set out how the Council ensures the delivery of the Corporate Plan 2018-2021, its vision and priorities, and secures effective and sustainable improvements for the benefit of our residents. The framework sets out the broad performance management principles for how we approach our work and underlines the performance management responsibilities of everyone working for the Council. Included in the framework is the basket of headline performance measures which directorates have identified as aligning with the priorities of the 2018-2021 Corporate Plan and that will be routinely monitored and reported on. This basket is currently being refreshed and will go forward to Cabinet on 17 June 2020 for approval.

Performance against the basket of key measures has been reported each quarter to CMT and Cabinet since 2018. Reports for 2019/20 are available on CMIS:
Refresh of measures May 2019
Quarter One Sept 2019
Quarter Two Dec 2019
Quarter Three Mar 2020
Quarter Four May 2020

This reporting cycle is scheduled to continue in 2020/21 and beyond.

Where required, specific performance boards, including internal directorate arrangements and those involving partner agencies, continue to meet. In some areas this has included a focus on developing information sharing arrangements to enhance the intelligence available to assess performance. The opportunity has been taken to streamline and remove duplication in reporting arrangements.

Information Governance

The Council takes information management very seriously and has prioritised effort and resources into raising awareness to members and employees of everyone's responsibilities when handling information of all types but particularly personal and sensitive information which relates to our residents.

The Forum for Information Governance (FIGA), which meets quarterly, consists of Information Champions (senior management) and Information Asset Owners from key areas across the Council to review and address information risks. There are also designated officers who carry out the roles of Senior Information Risk Owner (SIRO), Caldicott Guardian and Data Protection Officer.

Management of Data Protection Breaches 2018/19

During 2019/20 there were 136 incidents reported as data breaches to the Information Governance team compared to 77 the previous year (69 in 2017/18). These breaches were categorised from grade 0-1 (internal action required) through to grade 2 (reportable externally), as set out below.

The increased awareness raised in 2019/20 and the improved understanding around what constitutes a data protection incident and/or breach of confidentiality against the previous year, confirms that there is a high level of awareness in regard to understanding our duties and responsibilities across all service areas to report data breaches immediately. The increase against the previous two years is as a direct impact of increased awareness and training in the recognition of a data breach.

The Information Governance team ensure that the Council meets its obligations for accountability by issuing regular reports for all data protection incidents to the Forum for Information Governance and Assurance (FIGA). The table below shows the incidents reported by directorate which are monitored by FIGA representatives and supported by individual information champions within each directorate.

Directorate	Total
Adult Social Care	30
Children's Services	55
Economy and Environment	19
Resources and Transformation	32
Grand Total	**136**

To further support the reporting and monitoring of data protection incidents the Information Governance team ensure that any reported incidents are identifiable by the incident type so that any repetitive incidents or identifiable risks can be addressed.

Breach Type	Total
Breach of confidentiality (category now deleted)	22
Information Disclosed in error	96
Information lost or stolen	18
Grand Total	**136**

Lessons learnt:

As part of duties and obligations under the data protection regulations the Council have to ensure that it has taken appropriate steps to reduce incidents by the sharing of lessons learnt and taking the actions required to reduce the potential for further incidents of a repetitive nature.

There are recurring themes of small amounts of data being 'disclosed in error' or 'lost or stolen' across a range of services and circumstances.
This continues to be addressed by ensuring mandatory Information Governance training is undertaken by all staff every 12 months.

Serious incident reporting:

The Council have not had to report any serious data breaches for this financial year, however we have recorded a rise in the number of complaints received from the Information Commissioners Office which relate to disclosures made during safeguarding social care assessments.

To address these complaints the IG team have updated the terms of reference for the Forum for Information Governance and Assurance to ensure that information champions reflect on incidents and provide regular updates to individual director management teams for awareness and accountability in the sharing of lessons learnt.

Data Protection Incident improvement actions:

Over the reporting period the Information Governance team have implemented a new breach reporting system and staff guidance to ensure that breaches can be reported quickly and easily from any location. Every incident is then appropriately investigated and where required escalated through to senior leads for the appropriate actions and or sharing of any lessons learnt.
This ensures the Council meets with its obligations to investigate and manage data protection incidents accordingly and are able to report the outcomes and requirements of any incidents to an appropriate senior board through FIGA. This also ensures that Information Asset Owners and Information Champions continue to remain responsible for their service areas.

Update reports are also presented bi-monthly to the Forum for Information Governance (FIGA) to ensure that this senior management board are aware of data protection breaches in the organisation and can take appropriate action as required.

Data Protection and Information Security Training and Awareness:

With the changes in technology the Information Governance team changed the mandatory annual data protection training to include additional awareness around cyber and information security.

To ensure everyone is aware of their duties and responsibilities all staff are mandated to complete the appropriate training modules on an annual basis from the 1st of April to the 31st of March of every financial year.

The NHS Digital "Data Security and Protection" (DSP) Toolkit is an audit tool that enables the Council to gain the required level of assurances relating to the provision of its social care services and partnership work with third parties such as Health, Police and Safeguarding.

The completion of this audit tool annually requires the Council to ensure that a minimum of 95% of its staff have undertaken data protection training and that its systems and processes have data protection and privacy embedded throughout their processing activities.

The Council is very pleased to report that a compliance figure of 97% of all staff trained for this financial year was achieved by the end of December 2019, which is three months ahead of the annual deadline. This provides the Council with the additional assurances that all staff are fully aware of their duties and responsibilities relating to confidentiality and data protection alongside increased awareness of cyber and information security requirements.

The ongoing management of performance in the handling of SARs has led to detailed monitoring reports being presented to FIGA and, in line with the Information Commissioners Office (ICO) recommendations, reported through to CMT on a quarterly basis. Following implementation of service improvements; recruitment, staff training, resource allocation and implementation of a new case management system allowing more efficient and effective case management and monitoring, compliance with statutory response timescales is very much improved. Compliance is summarised for each quarter in the table below, 2019/20 compared to 2018/19.

Year 2019/20			
Quarter	SAR's Due Out	SAR's Out in Time	% Compliance 2019/20 (2018/19)
Q1 (01/04/19 - 30/06/19)	30	22	73% (26%)
Q2 (01/07/19 -30/09/2019)	44	35	80% (33%)
Q3 (01/10/19 - 31/12/19)	29	25	86% (58%)
Q4 (01/01/20 -31/03/20)	32	24	75% (66%)
2019/20 TOTAL	**135**	**106**	**79% (48%)**

This demonstrates that whilst performance fluctuates, due to the small numbers involved, performance is good. The slight decline in quarter 4 reflects a change in practice regarding the management of FoI's following a system upgrade. However, the system upgrade has enabled the team to continue to fully work from home during lockdown which has been vital to the sustainability of the service during the ongoing challenge of coronavirus. As the team are now entirely homeworking; limitations in our ability to fulfil some requests where paper files are involved may lead to delays in a few cases which might impact on future performance. However all efforts are being made to mitigate against this as far as possible.

This is against a backdrop of slightly more requests being received and the shortening of statutory response timescales; making the outcomes achieved all the more impressive. The team dealt with +37 more requests than the previous year and noting that since the introduction of GDPR, response timescales have been shortened from 40 days to within a month; on average the team have 22 working days to complete a SAR request unless

timescales need to be extended because requests involve significant amount of information requiring review and redaction. SAR requests are resource intensive.

Other Inspectorates / External Reviews

During 2018/19, there were a number of external inspections with several resulting in Inadequate Outcomes. Where follow ups have been undertaken during 2019/20, these are shown below.

1) Busill Jones – 18th April 2018 - Inspection outcome of Inadequate – currently subject to academy order – link to Ofsted reports (which includes monitoring visit reports since the inadequate outcome) - https://reports.ofsted.gov.uk/provider/21/104146

   An Ofsted Monitoring Inspection was made on 8 to 9 May 2019 and the Inspectors reported that "*Leaders and managers are taking effective action towards the removal of special measures. The local authority's statement of action is fit for purpose and the school's improvement plan is fit for purpose. The school may not appoint newly qualified teachers before the next monitoring inspection.*"

   No further Monitoring Inspections have taken place during 2019/20 and the school converted to Academy status on 1 December 2019.

2) New Leaf - 18th April 2018 - Inspection outcome of Inadequate – currently subject to academy order – link to Ofsted reports (which includes monitoring visit reports since the inadequate outcome) - https://reports.ofsted.gov.uk/provider/22/134523

   Ofsted Monitoring Inspections were made in January and June 2019. A further special measures inspection was made in November 2019 and the Inspectors reported that "*Leaders and managers are taking effective action towards the removal of special measures. The school may appoint newly qualified teachers before the next monitoring inspection only after consultation with Her Majesty's Inspectors*".

3) Jane Lane – 27th November 2018 - Inspection outcome of Inadequate – currently subject to academy order – link to Ofsted reports (which includes monitoring visit reports since the inadequate outcome) - https://reports.ofsted.gov.uk/provider/25/104271

   An Ofsted Monitoring Inspection was made in April and November 2019 and the Inspectors reported that "*Leaders and managers are taking effective action towards the removal of special measures. The school's improvement plan is fit for purpose. The school may appoint one newly qualified teacher in English and one newly qualified teacher in mathematics before the next monitoring inspection.*"

4) Walsall Council Local Area SEND Joint Inspection – 4th February 2019 - Inspection outcome that a Written Statement of Action (WSoA) is required because of significant areas of weakness – link to Ofsted / CQC report - https://reports.ofsted.gov.uk/provider/44/80574

   A focused visit took place in October 2019 which set out a number of areas of improvement.

There have been no new external inspections which highlighted significant governance issues or resulted in an inadequate outcome during 2019/20.

Other Supporting Evidence

The review of effectiveness is also informed and evidenced by the following;

a) Quality assurance controls put in place by Internal Audit and managers, in managing and delivering the Internal Audit service in accordance with the Public Sector Internal Audit Standards and including such areas as discussion/agreement of the risk based audit plan and each individual audit review;

b) The role of the Audit Committee in endorsing Internal Audit's work plan and in their regular review and scrutiny of audit performance;

c) The work of Audit Committee reviewing specific reports which have been awarded limited assurance for detailed scrutiny, ensuring the Committee is able to be assured that operational and control issues are being dealt with appropriately and that managers' agreed actions are being implemented. The Committee are able to seek explanation from managers failing to progress agreed actions.

d) The preparation and presentation of an Annual Report to Council of Audit Committee's work, assisting it to discharge the committee duty to provide independent assurance on the adequacy of the Council's risk management framework and the internal control and reporting environment.

e) The regular review of Internal Audit work by the CFO/Deputy CFO including meetings with Internal Audit.

Based on the work of Audit Committee, the Internal Audit Annual Opinion, the work and findings of Internal and External Audit, and review of other assurances, the system of Internal Control is assessed as satisfactory overall.

Actions and improvements have been identified as set out in this report and these improvement actions will be monitored and reported back to the appropriate Committee.

The Coronavirus pandemic has clearly had an impact on the Council's governance arrangements, however assurances have been sought and received that appropriate controls are in placing and operating to ensure governance and decision making is operating effectively.

Annual Governance Statement 2019/20

1. Scope of responsibility

This statement is given in respect of the 2019/20 statement of accounts for Walsall Council. Walsall Council is responsible for ensuring that its business is conducted in accordance with the laws and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. Walsall Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Walsall Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and this includes arrangements for the management of risk.

Walsall has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and sets out its commitment to good governance. This statement explains how Walsall Council has complied with the Code and also meets the requirement of the Accounts and Audit Regulations 2015.

This statement acknowledges the impact of Covid-19 on the Council's operations and decision making and governance arrangements. The annual review has considered actions taken by the Council to manage this impact.

2. The purpose of the Governance Framework

The governance framework comprises the systems, processes, and behaviours by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Walsall Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Walsall Council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

The key elements of the Council's governance arrangements, including the system of internal control, are contained in the Council's Local Code of Governance. The Code in force

during 2019/20 is available at the following link. Code of Governance. The Local Code of Governance incorporates seven core principles of good governance:

1) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2) Ensuring openness and comprehensive stakeholder engagement.
3) Defining outcomes in terms of sustainable economic, social, and environmental benefits.
4) Determining the interventions necessary to optimise the achievement of the intended outcomes.
5) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
6) Managing risks and performance through robust internal control and strong public financial management.
7) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The governance framework consists of the local Code of Governance supported by the strategies, corporate systems, policies, practices and processes, spanning the whole range of the Council's activities. This includes management information, finance and contract rules, established financial, budgetary, personnel and other procedures, a performance management framework, community and corporate planning, management supervision in accordance with the corporate employee annual performance conversation (APC) framework, a risk management strategy and process, and a system of officer and member delegation and accountability and codes of conduct. Diagram 1 illustrates the overall governance framework which is discussed in more detail in the following sections.

The AGS review reports on amendments to the governance and decision making processes introduced in March to allow the Council to respond to the Coronavirus pandemic in a timely manner, whilst still operating within our overall good governance arrangements. These include the setting up of Gold and Silver Control meetings to manage the Council's response to Covid-19 following the suspicion of all Council meetings after March, establishment of a Covid-19 risk register and enhanced controls in relation to authorisation, monitoring and reporting of financial spend in relation to Covid-19. These are included within the framework below.

Diagram 1: ANNUAL GOVERNANCE STATEMENT FRAMEWORK

Audit Committee Approve the Annual Governance Statement

Framework - Key documents/process guidelines supporting delivery of the Council's Vision and Priorities:
- Local Code of Governance
- Corporate planning process
- Budget and budgetary control and management
- Performance management
- Risk Management Strategy and Corporate risk register
- Counter Fraud Policy
- Policies, procedures, constitution, codes of conduct
- Partnership arrangements

Audit Committee:

- receives the annual review of the effectiveness of its system of internal control.

Supported by Authority & Directorate Policies, Procedures and the following Assurance Arrangements

Corporate Process: Officer responsibility for drafting AGS and evaluating ***assurances*** and supporting evidence

Approval of AGS by the Leader of the Council and Chief Executive

Performance, Information and data Management	**Risk Management**	**Legal and Regulatory Assurance**	**Members' assurance**	**Assurances by directors/ Assistant director's**	**Other sources of assurance (including third-party)**	**Financial control assurance**	**Internal Audit**	**External Audit**
*Walsall Plan *Health & Well-being Strategy *Corporate Plan *Performance management *Service/team planning *APC's *Performance Reporting *Intelligence gathering * Programme and project management * Information and data management	*Risk Management Strategy *Strategic Risk Register *Reports to Council/Cabinet/ Audit Committee *Financial risk assessment *Directorate risk registers / Champions *Employee risk assessments *Information risk & security *Covid-19 Risk register	*Monitoring officer and CFO protocols *MO report *CFO/MO attendance at CMT/Cabinet/ Council and regulatory committees *Legal / finance implications in reports *Information rights and governance *Gold & Silver Control	* Code of conduct *Constitution *Member development *Corporate plan * Committee meetings *AGS sign off *Partnership working *Community engagement *Strong leader executive DM	*Management assurances *Review of audit report and agreed rec's *Performance Boards / DMT's *Officers delegations reporting	*Fraud reports and investigations *Reports by inspectorates *Post implementat'n reviews of projects *Working party reports *Ombudsman reports	* Medium term financial strategy *Accountable Body status protocol & grants manual *Regular financial reports *Finance rules, Contract rules, * Constitution, scheme of delegations * Statutory officer provisions, Key systems procedure notes *Internal/External Audit reports *Gold & Silver Control	*Internal Audit opinion in annual reports to Audit Committee *Operates under Charter and in accordance with CIPFA Public Sector Internal Audit Standards *Rolling risk assessed audit plan, Audit Committee endorsed	*Annual audit letter *Annual plan * Interim Audit *Audit opinions *Ad hoc projects *VFM *Opinion on the Statement of Accounts "to those charged with governance"

Ongoing assurance on adequacy and effectiveness of controls over key risks

The Council acknowledges its responsibility for ensuring that effective governance arrangements, including an effective system of internal control (including financial control), are maintained and operated in connection with the resources concerned. Any system of internal control, including internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period. Development and maintenance of the system is undertaken by managers within the Council.

In particular, the system includes the following key elements:

- A Partnership Plan (Walsall Plan – the Health and Wellbeing Strategy for the Borough), setting out ambition, objectives and priorities of the Council and key partners, developed following consultation with the community and stakeholders – supported by our Corporate Plan 2018-2021.
- A robust financial framework, incorporating a comprehensive medium term financial strategy and plan, budget management and control framework, supported by financial procedures and guidelines underpinning sound financial management, reporting and standing.
- An information governance framework.
- A comprehensive risk management strategy and internal control framework, operating at both strategic and operational levels. This now incorporates a Covid-19 Strategic Risk Register.
- An approved Constitution, including finance and contract rules, a scheme of delegations and decision-making processes of the Council, ensuring sound decision making and compliance with regulations and the law.
- Standards Committee, Audit Committee, scrutiny function and other regulatory committees.
- Statutory Monitoring and Chief Finance Officers ensuring the Council operates within existing legislation and statutory guidance.
- Comprehensive policies and procedures, including codes of conduct (member and officer ethics and behaviours), whistle blowing policy and a counter-fraud and anti-corruption policy and strategy.
- Clear measures of financial performance linked to the corporate plan.
- The preparation of regular reports to managers, executive directors, Corporate Management Team (CMT) and elected members which indicate actual expenditure against budget and highlight remedial action, where required.
- Use of an accountable body status protocol and grant management arrangements when the Council acts as accountable body for funds, including in relation to partnership working to ensure that activities are administered consistently and robustly across the Council.
- A risk assessed Internal Audit plan that is planned in advance which and covers all major systems of internal control and which is based on a risk assessment of key systems and controls.
- An internal audit function that operates in accordance with the CIPFA Code of Practice, compliance with which is assessed.
- An independent external audit function which reports on the financial and governance arrangements of the Council.
- Member and officer development strategy and individual development planning processes.
- Comprehensive communication and consultation arrangements both internally and externally.

- In response to the Coronavirus pandemic, a Gold and Silver Control meeting structure has been established to manage the impact of the Covid-19 crisis; they met initially on a daily basis in order to analyse and respond to issues and information that the Council receives both on a local and national basis. In addition, their role is to ensure that, whilst allowing agile decision making, additional Covid-19 related spend is properly authorised, monitored and managed. Guidance has been provided to officers and members in relation to lawful decision making during the pandemic.

There are a number of key elements of the governance framework and internal control environment which assist the Council in monitoring and managing the achievement of its objectives. These are included in the Council's published overarching strategies and plans including; the Walsall Plan; the Corporate Plan (both informed by key strategic needs assessments - the joints strategic needs assessment, economic needs assessment and community safety needs assessment; Medium term financial strategy, corporate budget plan, capital strategy, risk management strategy; treasury management and investment strategy; change management approach, and directorate strategy and planning documents. These documents set out the Council's priorities.

The Corporate Plan 2018-2021 explains what we are doing as a Council and what we are trying to achieve. Key achievements delivered against priorities over the last 12 months were reported to Cabinet on 19 May 2020. The report can be accessed at the following link: [Review of Achievements 2019/20](#)

Responsibility for managing performance lies with individuals at all levels in the organisation and the current performance management framework and approach taken continues to aim to empower staff, services and leadership to apply the principles of performance management appropriately as required to individual circumstances. The Council is currently reviewing the corporate performance management framework to suit the measures being reported on and an increased focus on delivery of activity to address the priority issues and an updated Framework is planned to be reported to Audit Committee in November 2020.

The Council's Constitution sets out how the authority operates and refers to required procedures to be followed to ensure all activity and decision-making is transparent and accountable to the local community. This includes a scheme of delegation and contract and finance rules which set out the control environment in which the Council operates. The Constitution was reviewed and updated in May 2019. In addition, during March 2020, a Gold and Silver Control meeting structure was set up to manage the impact of the Covid-19 crisis in order to analyse and respond to issues and information that the Council receives both on a local and national basis. In addition to this the Council has provided advice to all senior officers regarding lawful decision-making in the current crisis, as a consequence of having to postpone Council meetings to follow government guidance in relation to the lockdown. The Council is now rolling out virtual meetings following the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 coming into force on 4 April 2020. This will ensure greater openness and transparency in decision-making and allow for scrutiny of executive decisions. The Council is carrying out a governance view in relation to Council meetings in July 2020 to see whether or not further elements of decision-making can be reintroduced on a safe basis.

The Constitution also sets out Codes of Conduct for members and officers, setting out appropriate standards of conduct and expectations around ethics and behaviours. Comprehensive policies and procedures such as human resource policies support officers in carrying out their roles. These include whistleblowing procedures, the Grievance policy;

and performance management procedures. A significant grievance investigation took place in 2019/20 which tested the lawfulness and application of the Council's Constitution and grievance policy. The Council's external auditors were informed of the outcome of this investigation and were satisfied with the way in which the Council applied its governance in managing the procedure. The Council will need to ensure that managers have adequate training in relation to the lawful application of policy and procedure. An audit of the training that senior managers have undertaken will be carried out and mandatory training provided. There are at present other grievance matters subject to investigation and if anything significant arises as a consequence of those processes they will be incorporated in the next AGS. The detail of these matters are confidential.

The Council has an established risk management framework, designed to identify, evaluate, manage and where possible, mitigate risks to the Council in delivering its objectives. There is an ongoing programme of reporting and review of both corporate and operational risks, and this extends to an assessment of risks in financial planning and major projects and partnerships. A revised Risk Management Strategy was approved by Audit Committee in January 2019, and a revised Strategic Risk Register (SRR) implemented. A lessons learnt report was presented to CMT in June 2020 and is due to be presented to Audit Committee in July 2020, recommending some changes to the approach. The next comprehensive review is due in 2021. Committee received reports on risk management at their April and September 2019 meetings. The SRR was reviewed and updated for Covid-19 risks during May, reported to CMT in June 2020 and is due to be presented to Audit Committee in July 2020.

Financial risks are assessed regularly and as part of the annual budget process and regular reporting of the financial position. A corporate financial risk assessment informs the medium term financial strategy and the level and appropriateness of general and other reserves. A Covid-19 financial register and risk register was established in April and this has been used to monitor and report on actual costs and risks to CMT and Cabinet in May and July 2020.

The Council has a robust medium term financial strategy and a rolling four year plan to support delivery of resource allocation in line with Council priorities. This is regularly reviewed in light of ever-changing financial and economic conditions and pressures arising from demand led services.

The Executive Director, Resources and Transformation and S151 Officer was responsible during 2019/20 for the proper administration of the Council's affairs, as required by Section 151 of the Local Government Act 1972. The AGS is required to contain a statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2016).* The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. In assessing these five principles, the Authority complied with all of these during 2019/20.

Arrangements for the provision of Internal Audit are contained within the Council's Constitution. The Council, via its statutory S151 Officer, must ensure that there is an adequate and effective Internal Audit of accounting records and of its systems of internal control as required by the Accounts and Audit Regulations 2015.

Executive directors and accountable budget and asset owners are required to provide assurance via internal audit reports and where appropriate, to Audit Committee that agreed

audit actions are being implemented, and where control weaknesses are identified, to put in place remedial action in a timely manner, and as agreed with audit.

The Audit Committee receives summary reports of audits receiving a no or limited assurance opinion and external audit recommendations and actions and seeks to ensure that control weaknesses where identified are addressed. The Committee has a function in respect of the system of internal control and its effectiveness and the work of the Committee includes the review of the Annual Governance Statement and its formal approval in September of each year.

The Council is investing in training and development of officers and members to ensure that they have the necessary support in ensuring that the Council acts in accordance with its Constitution, policy, and procedures.

4.   Review of Effectiveness

Walsall Council (via Audit Committee) has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of the effectiveness is informed by and assurance obtained from:

- The annual work programme of the Audit Committee including receiving, considering and reviewing reports on the work of Internal and External Audit, including reports on internal controls, risk management, grants, the external auditor's Interim Audit, it's opinion on Value for Money and the financial resilience of the Council, the external audit opinion on the statement of accounts and the annual audit and inspection letter.
- A review of the AGS via key questions by Internal Audit during 2019/20 to assess the extent to which compliance with the framework has been met.
- Internal Audit's Annual Opinion Report.
- The annual responses from Audit Committee, the Monitoring Officer and Chief Finance Officer to external audit in relation to management processes and arrangements and oversight of these.
- Findings of the external auditor and other review agencies and inspectorates, and Council actions to address these.
- Cabinet, corporate management team and senior officers monitoring the effectiveness of the governance framework through receiving monitoring reports on performance and financial management and risk management, including progress against key objectives and measures and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and receiving regular reports via Audit Committee on the internal control mechanisms in place and their effectiveness.
- The monitoring and regular review of the Council's Constitution, Codes of Conduct, and committee, officer and member governance processes (delegations, finance and contract rules, etc).
- Review and reporting of financial health indicators and financial procedures.
- Improvements recommended by Audit Committee on the framework for reporting such as the Corporate Risk Management Strategy, Strategic Risk Register, Corporate performance Management Framework and Counter Fraud arrangements.
- The work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment.

- The workings of Silver and Gold Control and reporting of decisions to members.
- Review of May and July Cabinet reports setting out the Council's response to Covid-19 in relation to governance and decision making; safeguarding within adults and children's social care; supporting the shielded and vulnerable residents in the community; Supporting business; Managing delivery of the Proud programme and the impact on delivery of approved budget savings; Corporate financial performance Amendments to the governance and decision making processes;
- The Chief Executive and the Leader of the Council and elected members, via the Audit Committee, who formally consider and approve the Annual Governance Statement (AGS) annually.

In respect of the system of internal control, a review of the following areas has been undertaken and will be reported to Audit Committee on 27 July 2020 to inform the overall opinion as to the effectiveness of the system of internal control:

- The work of the Audit Committee in 2019/20 in:
  - receiving limited assurance internal audit reports;
  - reviewing the Risk Management Strategy and Strategy Risk Register;
  - approving accounting polies, the statement of accounts and the annual governance statement;
  - receiving external audit reports on the annual audit and inspection letter;
  - responding to the Council's external auditors requirement to obtain an understanding of management processes and the Audit Committee's oversight of the Council's governance arrangements in relation to general enquiries of management; fraud risk assessment; the impact of laws and regulations; going concern considerations; related parties and accounting estimates
  - reviewing the effectiveness of the Audit Committee;
  - reviewing counter fraud arrangements against the Fighting Fraud Locally (FFL) Good Practice advice and checklist.

- Internal Audit's evaluation of the effectiveness of the Council's risk management, control and governance processes; identified control weaknesses 2019/20 and the Annual Opinion. The Annual Opinion is as follows:

  "On the basis of our audit work, our opinion on the Council's framework of governance, risk management and internal control is Substantial in its overall adequacy and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work, 11 of which were fundamental in nature. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

  In reaching this opinion the following factors were taken into particular consideration:

  Corporate Governance and Risk Management
  Governance arrangements have been considered and reported within the other reviews undertaken through the year and controls assurance work has been carried out to inform the Council's Annual Governance Statement. Work to further embed the new approach to risk management in the Council started in the prior year has continued, with regular progress reports to both CMT and the Audit Committee. There has been a strong commitment at

Member and officer level to ensure the risk management framework continues to evolve and strengthen. There is a risk champion in place for each directorate who is committed to supporting robust risk management activity. A review of the Risk Management Strategy for 2020/21 will be completed once the staff restructure resulting from the Walsall Proud Programme has been completed.

Internal Control
Of the 45 audits undertaken in the year where we provided a formal assurance level, eight were given a 'Good' level of assurance, 24 a 'Substantial' level of assurance and eight a 'Limited' level of assurance. No audits were given ''No' level of assurance.
During the year, we have made 11 'Priority 1' recommendations and these are summarised in Appendix A2 of this report. 111 recommendations categorised as 'Priority 2' were also made.

In respect of follow up of recommendations, internal audit has an established process for tracking the implementation of recommendations raised and enabling Management to report on their status to each Audit Committee meeting. During the year, we reviewed the implementation of recommendations as they fell due and confirmed their implementation status.

All recommendations made during the year were accepted by Management".

- Progress in addressing governance Issues and control weaknesses identified in the 2018/19 AGS and progress in addressing these;
- The work of Internal Audit to assess the extent to which compliance with the AGS framework has been met by the Council;
- The work of Internal Audit and compliance with Public Sector Internal Audit Standards which came into effect on 1 April 2013;
- Regular reporting to and scrutiny by Audit Committee of strategic risks;
- The work of other regulatory Committees – Standards;
- The work of Inspectorates and the Council's response and actions plans to address Inadequate findings;
- The work of external audit;
- Changes made to the existing governance and decision making reporting arrangements to support the Council's response to Covid-19 during March to July 2020 and to ensure governance remains strong;
- Review of May and July Cabinet reports setting out the Council's response to Covid-19 in relation to governance and decision making; safeguarding within adults and children's social care; supporting the shielded and vulnerable residents in the community; Supporting business; Managing delivery of the Proud programme and the impact on delivery of approved budget savings; Corporate financial performance;
- Financial and performance reporting, including in relation to financial and budgetary control, risk, information governance and data protection arrangements, and other supporting evidence.

Some control weaknesses were identified as a result of the work of the above evaluation and actions have been put in place to address the findings and follow ups will be undertaken, and feedback reported to the Committee as appropriate.

The production of the Statement and effectiveness review has been able to substantially rely on existing assurance provisions. Specifically the Head of Internal Audit Annual Opinion and Report, which is a major source of assurance, has been finalised within the usual timeframes. There are no limitations to the review to report to the leadership team or Audit Committee. As well as existing assurance areas (external audit, the work of the Audit Committee, etc), additional assurance in relation to Covid-19 has been drawn from reports presented to Cabinet in May and July 2020 as set out in the effectiveness review report presented to Audit Committee on 27 July.

5.   Significant Governance Issues

Officers who drafted this Annual Governance Statement, evaluated assurances and supporting evidence, have concluded that the effectiveness of the governance framework, in respect of the system of internal control is satisfactory overall.

There are no significant governance issues to report.

Some control weaknesses have been identified, which were reported to Audit Committee throughout 2019/20 as they arose and are summarised in the Annual Review of Effectiveness of the System of Internal Control report to Audit Committee on 27 July 2020. Actions are in place to address these.

The Council continues to manage the impact of Covid-19 and acknowledges that the pandemic has had an impact on service delivery and decision making arrangements. Existing Constitutional provisions have been utilised to manage our emergency response. Where appropriate, additional controls have been put in place to manage the impact and risks associated with Covid-19.

Dr Helen Paterson
Chief Executive
Date: 16 July 2020

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Councillor Mike Bird
Leader of the Council
Date: 16 July 2020

In approving this statement, the views and assurances of the statutory officers and Executive Directors have been sought and appropriate evidence obtained to support it.